

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 14-162—sHB 5500

Human Services Committee

Appropriations Committee

AN ACT CONCERNING PROVIDER AUDITS UNDER THE MEDICAID PROGRAM

SUMMARY: This act makes several changes in the Department of Social Services' (DSS) processes for auditing (1) Medicaid providers and (2) facilities that receive Medicaid or other state payments (including nursing homes, residential care homes, and intermediate care facilities for people with intellectual disabilities). Specifically, it:

1. limits the circumstances in which DSS may extrapolate audited claims;
2. allows an audited provider or facility to present evidence to the commissioner or an auditor to refute the audit's findings;
3. allows the DSS commissioner, when determining which providers and facilities to audit, to consider a provider's or facility's compliance history in addition to other audit criteria; and
4. requires DSS and DSS-contracted auditors, for auditing purposes, to have on staff or consult with, as needed, health care providers experienced in relevant treatment, billing, and coding procedures.

The act requires the DSS commissioner to adopt facility audit regulations to ensure fairness in the audit process, including associated sampling methodologies. The law already requires the commissioner to adopt such regulations for provider audits.

The commissioner must also establish and publish on DSS' website audit protocols to help providers and facilities comply with state and federal Medicaid laws and regulations. The audit protocols may not be relied upon to create a substantive or procedural right or benefit enforceable at law or in equity by anyone, including a corporation.

The act also (1) requires DSS to provide free training to providers and facilities to help them avoid clerical errors and (2) imposes reporting requirements on DSS pertaining to the revised audit protocols and procedures.

EFFECTIVE DATE: July 1, 2014

CLAIM EXTRAPOLATION

Prior law allowed DSS or a DSS-contracted auditor to base a finding of provider or facility overpayment or underpayment on extrapolated projections if the claims' aggregate value exceeded \$150,000 on an annual basis. The act limits the circumstances in which DSS or an auditor may use extrapolation by increasing the minimum aggregate value of claims on which such method may be used to

OLR PUBLIC ACT SUMMARY

\$200,000 on an annual basis.

Under the act:

1. “extrapolation” means determination of an unknown value by projecting the results of the review of a sample to the universe from which the sample was drawn and
2. “universe” means a defined population of claims submitted by a provider during a specific time period.

AUDIT PROTOCOLS

Provider Protocols

The act requires the commissioner, by February 1, 2015, to establish and publish on DSS’ website protocols to assist the Medicaid providers to develop programs to improve Medicaid state and federal law and regulation compliance. The commissioner must establish specific audit protocols for licensed home health agencies, drug and alcohol treatment centers, durable medical equipment, and the following types of services: (1) hospital outpatient, (2) physician and nursing, (3) dental, (4) behavioral health, (5) pharmaceutical, and (6) emergency and nonemergency medical transportation.

Facility Protocols

The act requires the commissioner, by April 1, 2015, to establish audit protocols to assist facilities subject to audit to develop programs to improve state and federal Medicaid law and regulation compliance. The commissioner must establish and publish on DSS’ website audit protocols for:

1. licensed chronic and convalescent nursing homes and associated chronic disease hospitals,
2. rest homes with nursing supervision,
3. licensed residential care homes, and
4. licensed and certified intermediate care facilities for people with intellectual disabilities.

PROVIDER AND FACILITY TRAINING

The act requires DSS to (1) help facilities and providers avoid clerical errors by providing free training to (a) providers on how to enter claims and (b) facilities on cost report preparation and (2) post information on its website about the auditing process and ways to avoid clerical errors.

DSS REPORTING REQUIREMENTS

The act requires the commissioner to report to the Human Services Committee by (1) February 1, 2015 on DSS’ progress concerning the audit protocols and procedures and (2) February 1, 2016 on their implementation.

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